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Chairman: Mr. TIERLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued)

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11)

1. Mr. DJACTA (Algeria) fully agreed that the methodology should be made simpler and more transparent and should be based on reliable and comparable data. Algeria, which, because of its economic difficulties, assumed a burden that was too great in relation to its capacity to pay, wished to reaffirm that capacity to pay remained the cardinal principle for establishing the scale of assessments and that national income provided the fairest basis for determining capacity to pay. Accordingly It could not therefore accept the so-called "clean slate" approach.

2. His delegation believed that the debt adjustment approved should continue to be used, as should a short statistical base period.

3. With regard to the phasing out of the scheme of limits, his delegation noted from paragraphs 18 to 23 of the Committee's report that the methods proposed for the distribution of unallocated points was in conformity with the provisions of resolutions 46/221 B and 48/223 B with respect to the developing countries. His delegation was ready to participate in efforts to achieve a consensus on the basis of the recommendation in paragraph 60 of the Committee's report.

4. Ms. RODRIGUEZ (Cuba) said that her delegation was in favour of phasing out the scheme of limits immediately on the grounds that it was no longer justified since the shortcomings of the methodology for establishing the scale of assessments had largely been remedied. Her delegation regarded that solution as fairer and more valid than a gradual phase-out. However, given the political implications of the matter, her delegation would be willing to accept a multiple-step phase-out, as recommended by the Committee on Contributions, if that were necessary in order to achieve a consensus. It was, in any case, important for a scale to be established for the period 1995 to 1997 and for the Committee to continue to study ways of improving the methodology over the next two years.

5. Among the rules that had been arbitrarily fixed for the assessment of contributions, the application of a ceiling and the associated redistribution of a large number of points among Member States, including developing countries, resulted in the greatest distortion of the principle of capacity to pay. The issue of maintaining or abolishing the ceiling should be given priority consideration by the General Assembly, should it decide to study in depth the distortions created by the current methodology, as well as by the ad hoc body which was to be set up in accordance with resolution 48/223 C to study the implementation of the principle of capacity to pay. In that connection, her delegation hoped that the membership of the ad hoc body would strictly respect the principle of equitable geographical distribution and that its

recommendations would relate only to the scale of assessments for contributions to the regular budget of the Organization. It also hoped that the Committee on Contributions would take due account of the recommendations of the ad hoc body.

6. Her delegation considered that, because of the essentially technical nature of financial questions, the Fifth Committee was competent to consider all initiatives relating to the financing of the Organization and that the tasks should be distributed between the Main Committees and the plenary General Assembly. Her delegation would cooperate with others which were willing to defend that principle.

7. Since the General Assembly had asked the Committee on Contributions to submit specific proposals to it on the various elements of the methodology for establishing the scale, her delegation invited it to set aside sufficient time for consideration of those issues in the programme of work for its fifty-fifth session. The Committee should, in particular, consider in detail the criteria for determining the applicable exchange rates. In that connection, she awaited with interest the recommendations that it would make on the basis of the comprehensive study it had requested from the Secretariat in paragraph 50 of its report (A/49/11).

8. Mr. WYZNER (Poland), pointing out that the important post of Secretary of the Committee on Contributions was currently vacant, said that his delegation would like to be informed of the Secretary-General's intentions concerning the appointment of a successor. Turning to the question of the scale of assessments proposed for the period 1995-1997, he recalled that, in a statement made on 12 October 1994 to the General Assembly, the Secretary-General had affirmed that the establishment of a more equitable scale might be a means of alleviating the financial crisis facing the Organization. He fully shared that view and, in that connection, said that Poland, despite its own budgetary difficulties and despite the fact that the Organization owed it considerable sums in reimbursement of the contingents it had provided, was doing its best to meet its financial obligations.

9. The proposed scale of assessments seemed to reflect the capacity to pay of Member States rather better than earlier scales and met, at least in part, the concerns of a number of developing countries and of Central and Eastern European countries with economies in transition. His delegation, however, shared the opinion expressed by 15 Member States in a joint submission, the text of which had been distributed on 4 October 1994 to the members of the Fifth Committee, to the effect that 50 per cent of the effects of the scheme of limits should be eliminated in the first year of the application of the new scale; the assessments for the three years would thus be those recommended for 1997. His delegation noted that the Committee did not exclude that option, even though it recommended a three-step phase-out (paras. 16 and 19 of its report). That being so, his delegation was willing to approve the scale recommended by the Committee and hoped that it would be adopted by consensus.

10. With regard to the methodology for establishing the scale, his delegation had already indicated its support for the position of the European Union that

the methodology should be made more stable, simpler and more transparent and that the scale should be based on verifiable, reliable, comparable and recent data. That required the use of comparable data on national income and the progressive elimination of current distortions, in particular the elimination of the scheme of limits. A further reduction in the statistical base period would make it possible to apply fairer rates to those Member States which had formerly been part of larger entities. The low per capita income allowance formula, which had for years played an important part in the search for greater equity, raised more complex problems.

11. His delegation was looking forward to the results of the thorough and comprehensive review requested of the Committee under General Assembly resolution 48/223. The Committee should be provided with the resources (meeting time and support services) it needed in order to implement its mandate as spelled out in rule 160 of the rules of procedure of the General Assembly. An appropriate reference might be made in the resolution under agenda item 112. His delegation did not favour the establishment of bodies or working groups with functions similar to those of the Committee on Contributions. Not only was there a risk of duplication of efforts, but a review of the scale methodology might lead to political pressure, tension and delays which would only have an adverse effect on the payment of contributions and make it very difficult to develop a simpler, more stable and more transparent scale of assessments.

12. Mrs. ARYSTANBEKOVA (Kazakhstan) said that her delegation shared the concern expressed by the Secretary-General in his statement to the General Assembly on 12 October 1994 on the financial standing of the Organization and that it attached great importance to the review of the scale methodology. It supported the idea of establishing an ad hoc intergovernmental body of internationally recognized experts to carry out a comprehensive and in-depth study of the implementation of the principle of capacity to pay.

13. Unfortunately, Kazakhstan was among the Member States which had not made payments towards their 1994 regular budget assessments. The only reason for that delay was that her country lacked hard currency: the acute social problems caused by economic restructuring had exhausted its reserves and it had to grapple virtually alone with a disastrous environmental situation. Kazakhstan was nevertheless determined to meet its financial obligations and, despite its difficulties, had paid about $3.5 million towards both the regular budget and the financing of peace-keeping operations at the end of 1993.

14. She was pleased to note that the Committee on Contributions had taken into account in its report (A/49/11) her delegation's position with regard to statistical data and exchange rates. She also welcomed the Committee's decision to request the Secretariat to prepare a comprehensive critical study on the establishment of well-defined criteria for converting national income data to United States dollars.

15. On the other hand, the Committee's treatment of the phasing out of the scheme of limits was not satisfactory. Paragraph 1 (f) of General Assembly resolution 48/223 B appeared to have only one interpretation: a one-step

phasing-out. The three-step approach recommended by the Committee was at variance not only with long-standing practice and with rule 160 of the rules of procedure of the General Assembly, but also with paragraph 3 of resolution 48/223 B which requested the Committee to make recommendations to address the problems of the group of 22 Member States, whose rates of assessment were much in excess of their real capacity to pay. Finally, resolution 48/223 had been adopted by consensus only on the understanding that it should be regarded as a package of mutually agreed measures. Even the immediate elimination of the scheme of limits would not have been sufficient to bring Kazakhstan's rate of assessment to a level equal to its real capacity to pay. Despite that, and in order to maintain the consensus, Kazakhstan had agreed to a two-step phasing out of the scheme of limits over the period of two scales. Since Member States had divergent interests on the issue, the one-time elimination of 50 per cent of the effects of the scheme of limits appeared to constitute an acceptable compromise in keeping with the spirit of resolution 48/223.

16. Mr. EL-ARABY (Egypt) said that he supported the Committee's recommendation in paragraph 60 of its report and that the decision to spread the effects of the 50 per cent phase-out of the scheme of limits over a three-year period on the basis of a country-by-country approach would promote greater transparency and would be simpler. The fundamental criterion for allocating the expenses of the Organization should remain capacity to pay, determined mainly on the basis of national income and taking into account the external debt burden, which continued to have serious adverse effects on the economies of a substantial number of developing countries, particularly in Africa. It was to be hoped that the ad hoc body to be established to study the implementation of the principle of capacity to pay would make a valuable contribution to the debate on the issue provided that its work complemented rather than duplicated the work of the Committee on Contributions and of the General Assembly and that its composition was based on the principle of equitable geographical distribution.

17. Over the past few years, many proposals had been made to improve the scale methodology, but the so-called "clean slate" approach ran counter to decisions which had made capacity to pay the fundamental criterion. The concept of purchasing power parity was equally inappropriate for use in the United Nations context because of its serious deficiencies in terms of methodology and data. On the other hand, the question of the exchange rate to be applied to convert national income data was one of the key factors in the current methodology; the comprehensive study which the Committee on Contributions had requested of the Secretariat was therefore of great importance. In any event, Egypt, which paid all its assessments in full and on time, despite its economic difficulties, would carefully study the ideas that the Secretary-General had shared with the General Assembly on ways of ensuring the financial viability of the Organization and alleviating its current financial crisis.

18. Mr. AL-AMRI (Oman) said that the Organization's difficult financial situation made the many delays in the payment of contributions both to the regular budget and to those of peace-keeping operations even more disquieting and that the countries concerned should honour their commitments promptly. In accordance with General Assembly resolution 48/223, any new method for

determining the scale of assessments must be based on the principle of capacity to pay, taking into account the economic situation of certain Member States and of the changes that might occur in that regard. That method must therefore be both simple and flexible in order to take into account fluctuations in economic trends, particularly in developing countries, and not to increase the burden on the latter.

19. Notwithstanding its positive aspects, the method proposed by the Committee on Contributions resulted in an increase in the assessments of some developing countries. Its components suited many Member States and it reflected to some extent the principle of capacity to pay, but it disregarded certain aspects such as the fact that some countries derived their national income from only one resource, the prices for which were unstable or steadily declining. His delegation had already indicated on previous occasions that the scheme of limits should be eliminated, while reaffirming that the scheme should in no way lead to the allocation of additional points to the developing countries. Oman, which had always paid its assessments in full and on time, hoped that its difficult financial situation would be taken into account.

20. Mr. AL-JAWARNEH (Jordan) said that the current method for determining the scale of assessments, which was the result of 50 years of collective efforts by Member States, was not so defective that it could not be improved and rendered simpler and more transparent. The Committee on Contributions recommended to the General Assembly a scale of assessments which was in accordance with the spirit of resolution 48/223, which reaffirmed the fundamental nature of the principle of capacity to pay. Any formula which might distort the operation of that principle should therefore be avoided; if the method needed to be reviewed in future, the external debt burden and per capita income should be taken into account, rather than socio-economic indicators. With regard to the ad hoc body to study the implementation of the principle of capacity to pay, he said that its mandate and methods of work should be studied carefully, its terms of reference should be confined to the regular budget and its members should be appointed by the President of the General Assembly in consultation with Member States and on the basis of the principle of equitable geographical distribution.

21. Mr. BARIMANI (Islamic Republic of Iran) said that, contrary to past practice, the Committee on Contributions proposed not one but three different scales of assessment, which was not in line with paragraph 1 of General Assembly resolution 48/223 B or article 160 of the rules of procedure of the General Assembly, which clearly referred to a single scale for the entire three-year period. That reduction in the scale resulted from the choice made between a one-step or multiple-step phase-out of 50 per cent of the effects of the scheme of limits. A simple calculation showed that a larger group of countries, mainly developing States and those with economies in transition would gain as opposed to a smaller group, mainly developed countries, which would lose if the one-step approach was adopted. The conclusion drawn by the Committee on Contributions in that regard (para. 23 of the report) was therefore far from satisfactory. Under the current scale, the assessment rate for his country was 3.5 times more than its actual capacity to pay (column 6 of annex II.A and III.A of the report) and would be tripled if the scale recommended by the Committee on Contributions was

applied. Accordingly, his delegation was in favour of a full 50 per cent phase-out in 1995, the option under which its assessment rate would be more than two times greater than the rate in annexes II.A and III.A.

22. The fundamental criterion for determining the scale of assessments was the principle of capacity to pay, which was assessed on the basis of national income. Other important factors, however, should not be neglected: natural and man-made disasters, refugee flows, foreign debt and low per capita income. The so-called "clean slate" approach could not be a solution and would not fully reflect capacity to pay. Referring to the statistical base period, he pointed out that with the structural adjustments taking place in the national economies of many Member States, a shorter base period, preferably of three years, would be much more desirable.

23. His delegation welcomed any decision aimed at improving the methodology for determining the scale of assessments, such as the establishment of an ad hoc body to study the implementation of the principle of capacity to pay. Care should be taken, however, to avoid duplication of effort. The ad hoc body should therefore focus its attention solely on the regular budget; its recommendations should be considered by the Committee on Contributions before submission to the General Assembly; and its members should be appointed by the President of the General Assembly on the basis of equitable geographical representation.

24. Mr. HAMIDA (Libyan Arab Jamahiriya) said that the Committee on Contributions had, to a large extent, succeeded in carrying out the task entrusted to it under General Assembly resolution 48/223, which established a clearly defined methodology for determining the scale of assessments. Nevertheless, that methodology was far from reflecting in a precise manner the real capacity of Member States to pay, if only because the statistical base period still referred to a situation in the past and not to current economic conditions, which were the only real factor for determining that capacity. Although the scheme of limits constituted a further constraint, the greatest distorting factor was still the upper limit on rates of assessment, which increased the burden imposed on the countries that did not benefit from it.

25. The Libyan Arab Jamahiriya was undergoing a difficult economic situation aggravated by an economic embargo and iniquitous sanctions imposed by the Security Council under pressure by three countries. The damage caused by those sanctions had been described in numerous documents addressed to the Security Council (the latest under the symbol S/1994/921). Since it failed to take account of the damage incurred by the Libyan economy, the total of which was estimated at $4.5 billion, the current methodology established a high assessment for his country, which would affect the scales of the specialized agencies. The Committee on Contributions, therefore, should continue to study that methodology in order to recommend ways to improve it. That Committee was the appropriate body for that purpose, provided that it operated in a more transparent manner and gave Member States more of an opportunity to present their points of view to it. His delegation, in any case, was opposed to any attempt to circumvent the

Fifth Committee and its bodies by establishing working groups or other entities which could only complicate a task that by its nature was arduous enough.

26. Mr. PIBULSONGGRAM (Thailand) said that the Committee on Contributions had taken into account the essential criteria set forth in General Assembly resolution 48/223 B and hoped that the Fifth Committee would unanimously adopt the scale recommended. Like many others, his delegation wished to have a stable, simpler and more transparent scale methodology and therefore welcomed the decisions taken by the General Assembly in resolution 48/223 C. Thailand favoured a gradual approach to improving the scale methodology. While it recognized that capacity to pay was the fundamental criterion, it did not believe that national income reflected a country's genuine capacity to pay. However, should a decision be taken to eliminate the so-called "distorting" elements, all of them, including the ceiling and floor rates, should be eliminated.

27. Resolution 48/223 B already contained appropriate elements to measure a country's capacity to pay and those elements should be maintained, particularly, national per capita income and external debt.

28. His delegation fully appreciated the difficulties experienced by the Committee on Contributions. Although its decision to spread the 50 per cent phase-out of the effects of the scheme of limits on the basis of a country-by-country approach over three years did not meet the expectations of all Member States, it represented a reasonable compromise which would avoid excessive changes in assessment rates over the 1995-1997 period.

29. Thailand had consistently paid in full its assessed contributions to both the regular budget and the peace-keeping budget. Although it was trying to meet its obligations on time, its ability to pay on time, like that of many Member States, was affected by different internal budgetary processes. Arrears were often due to that technical problem rather than a lack of will to meet one's financial obligations. The situation with regard to peace-keeping operations was even more acute than that concerning the regular budget. Since all the 17 current operations had different assessment periods, Member States each year received dozens of notices for contributions. The time perhaps had come to find new collection methods for contributions for peace-keeping operations since the assessments for them should continue to be based on the ad hoc scale adopted by the General Assembly in resolution 3101 (XXVIII).

30. His delegation supported the recommendations by the Committee on Contributions on the scale of assessment for the regular budget for the period 1995-1997, as contained in paragraph 60 of its report.

31. Mr. NATHON (Hungary) said that although his delegation disagreed with some points in the recommendations by the Committee on Contributions, it considered them a very good basis for a compromise resolution on the item. With regard to the phasing out of 50 per cent of the effects of the scheme of limits, the country-by-country approach advocated by the Committee on Contributions was probably the correct one. The question of a one-step versus a three-step phase-

out had to be resolved. Compared to the scale adopted for 1992-1994, the new assessment rates of the overwhelming majority of developing countries and the countries of the former Soviet Union and Eastern and Central Europe were either unchanged or decreasing, while the rates of the developed countries increased. In the case of a very small number of developing countries (seven) whose assessment rates would increase by 1, 2 or 3 points, the increase, with only one exception, would occur in the first year. In other words, the developing countries did not seem to be in any way affected by a three-step phase-out of the 50 per cent effects of the scheme of limits, as opposed to the one-step phase-out. His delegation, which had suggested, six years earlier, the complete abolition of the scheme of limits, was therefore in favour of the one-step phase-out.

32. Adjustments in the current methodology by reducing the base period from 10 years to 7 and 8 years could help determine more accurately capacity to pay. Progress in that direction, however, was very slow in view of the traditional United Nations approach to the matter.

33. In view of the Secretary-General's proposals made on 12 October and the numerous efforts aimed at a reformed or completely new methodology, a reallocation of points was not likely to affect small and medium-sized contributors. The search for a magic formula that was at the same time more equitable, more transparent and simpler was therefore somewhat frustrating.

34. The question of the payment of contributions must be considered from various angles, including the priority setting of the Organization, payment methods and incentives or penalties, if any, and the financial authority and manoeuvrability of the Secretary-General.

35. The delegation of Hungary joined those of the European Union and Austria, the United States and other countries which had called for a scale methodology that would follow more readily the changes in the capacity of each country to pay.

36. Mr. SHAHEED (Syrian Arab Republic), while acknowledging the work done by the Committee on Contributions, said that he could not support the recommended scale in which the assessments of certain countries, including Syria, increased while those of other countries either remained unchanged or declined. The Syrian Arab Republic was firmly committed to the principle of the collective responsibility of all Member States with respect to the regular budget, based on the capacity of each Member to pay. The burden must therefore be distributed among all Members in a just and equitable manner and the proposed scale, unfortunately, did not meet those two criteria.

37. Syria's contribution had steadily increased over the years, without any regard for the particular situation of a country a part of whose territory, comprising the most fertile agricultural land, was under occupation by Israel. Syria had discovered no new mineral resources in its subsoil and none of its economic problems had been solved; it had a right to expect a link, however tenuous, between increases in the assessments of Member States and improvements

in their economic situation and thus in their capacity to pay. It therefore urged the Committee on Contributions to pursue its efforts aimed at improving the methodology for the apportionment of the expenses of the Organization and to propose a scale characterized by equity and stability. The Syrian delegation, moreover, was of the view that the payment of contributions in currencies other than United States dollars would help certain developing countries which lacked foreign currency, including Syria, to pay their contributions earlier.

38. Mr. APTSIAURI (Georgia) said that a fair and transparent scale of assessments which reflected the real capacity of each Member State to pay was essential for the proper functioning of the Organization. He saluted the efforts made by the Committee on Contributions to improve the method and to clear it of artificially attached elements which greatly distorted the real capacity of Member States to pay. Nevertheless, the recommendations of that Committee concerning the scheme of limits - one of the main factors of distortion - did not satisfy his delegation. In 1993, in a spirit of compromise, his delegation had supported the decision to phase out the scheme of limits over two consecutive periods. It had hoped that that step would have facilitated a consensus in 1994. Instead, however, the Committee on Contributions was making a recommendation that was neither balanced nor reasonable.

39. In view of its economic and other problems, Georgia had been unable to pay its assessed contributions and would do so as early as possible. However, it was unfair that it should be assessed at a rate four times higher than its real capacity to pay in order to prevent excessive variations in the assessment of certain countries, even though such variations had already been mitigated by the use of a long statistical base period. Only a 50 per cent reduction of the negative impact of the scheme of limits from the beginning of 1995, as the 15 newly independent States had suggested in their joint statement, could ensure that a consensus was achieved on the Fifth Committee's decision.

40. Mr. ETUKET (Chairman of the Committee on Contributions) said that he was heartened by the interest which delegations had shown in the Committee's work. Most delegations wanted a change in the methodology in order to better reflect the capacity of Member States to pay, but there were divergent views on the means of attaining that objective. The situation was the same within the Committee. It was therefore clear that the political will of Member States would be more important in making headway in the matter than the Committee's technical advice. The General Assembly must reach a consensus on the direction which the Committee should give to its work in 1995. In 1993, the Assembly had already formulated guidelines to facilitate the Committee's work, particularly with regard to exchange rates. The Committee awaited with interest the study which the Secretariat was required to undertake on those rates in 1995. He also hoped that the consultations which had begun with a view to establishing the special body envisaged by the General Assembly would assist the efforts being made to improve the methodology.

41. He fully understood the concerns which certain delegations, particularly those of the Group of 22, had expressed on the subject of the phasing out of the

scheme of limits. He was confident that the Fifth Committee would find a solution that was acceptable to all delegations. Towards that end, it might also wish to refer to the criteria concerning the modalities for phasing out the scheme contained in resolution 48/223.

42. In establishing the proposed scale, the Committee had duly taken into consideration General Assembly decision 47/456. It considered, however, that the implementation of that decision raised legal or political issues which were beyond the scope of its mandate and which should be dealt with instead by the Fifth Committee.

43. With respect to the comments by Bulgaria, the Committee had considered the question of the exchange rates to be used for that country for the years 1985-1990 but had reached the conclusion that there was "no technical justification for replacing the rates with premium previously used with rates extrapolated on the basis of a coefficient" (para. 47). For the scale for the period 1992-1993, the General Assembly had approved the use of exchange rates with premium for the years 1985-1989. For 1990, the Committee had observed the principle of the uniform application of exchange rates provided for in General Assembly resolution 46/221 B.

44. In conclusion, he hoped that the discussions and decisions of the Fifth Committee would facilitate the review of the scale methodology which the Committee on Contributions would undertake in 1995.

45. The CHAIRMAN said that, if he heard no objection, he would take it that the Committee had concluded the general debate on item 112.

46. It was so decided.

The meeting rose at 12.15 p.m.